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FEATURE ARTICLE: PORTRAITS OF AUSTRALIAN BUSINESSES, 2005–06 AND 2006–07

Introduction

The Australian Bureau of Statistics (ABS) conducts an annual Business Characteristics Survey (BCS). This article uses the 2005-06 and 2006-07 surveys to examine the distribution of various key business characteristics among Australian businesses by industry. The key characteristics selected include business age, foreign ownership, cooperative arrangements, web presence, innovation status, business competition, and market share as well as lack of skilled staff as a barrier to business performance.

The industries covered in the analysis are:

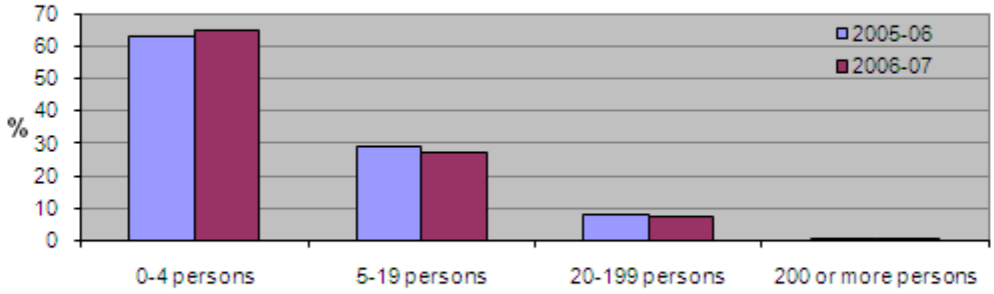
- Mining (MIN)
- Manufacturing (MAN)
- Electricity, gas and water supply (EGW)
- Construction (CON)
- Wholesale trade (WHO)
- Retail Trade (RET)
- Accommodation, cafes and restaurants (ACR)
- Transport and storage (TRN)
- Communication services (COM)
- Finance and insurance (FIN)
- Property and business services (PBS)
- Health and community services (HCS)
- Cultural and recreation services (CUL)
- Personal and other services (POS)

The industry abbreviations in brackets are used in the figures throughout this article.

Business Size

Figure 1 shows businesses by size over the two years, and it is clear that small businesses account for the majority of the samples. Micro businesses (4 or less employees) and small businesses (5-19 employees) together account for around 90% of sample businesses. Between 2005-06 and 2006-07 the average business size decreased with more small businesses entering the samples.

Figure 1. Business size, 2005-06 to 2006-07

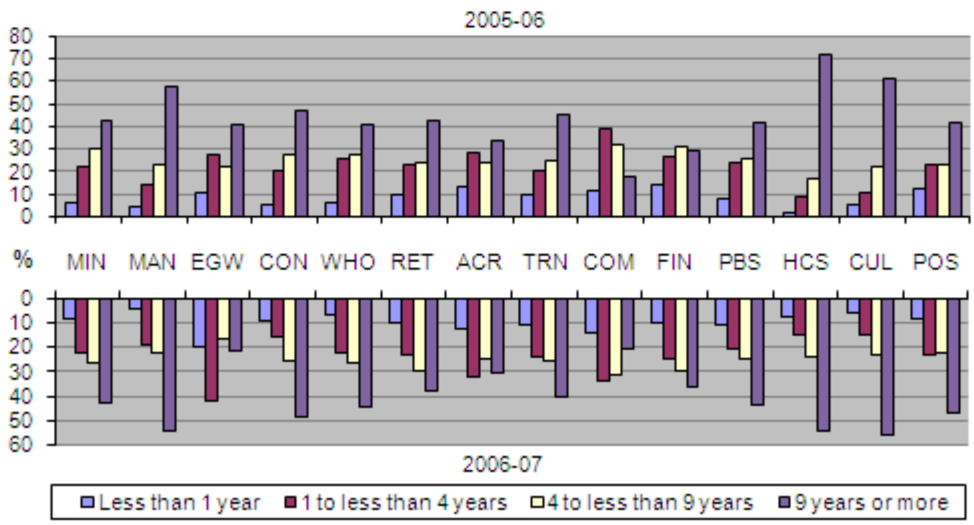


Business Age

Figure 2 shows business age classified to one of four age groupings for each industry for 2005-06 and 2006-07. It is clear that for most industries, mature businesses that have been around for over 9 years account for the majority of the industry. This is particularly so for businesses in Health and community services, Cultural and recreation services, and Manufacturing.

Communication and Finance and insurance show a very different pattern, with the average age of businesses being much younger. Businesses in the Electricity, gas and water supply (EGW) industry were relatively young with businesses aged between 1 and 4 years increasing close to 20% between the two periods. This was the biggest change of any industry between the two years, representing structural change that has occurred mainly in the electricity market.

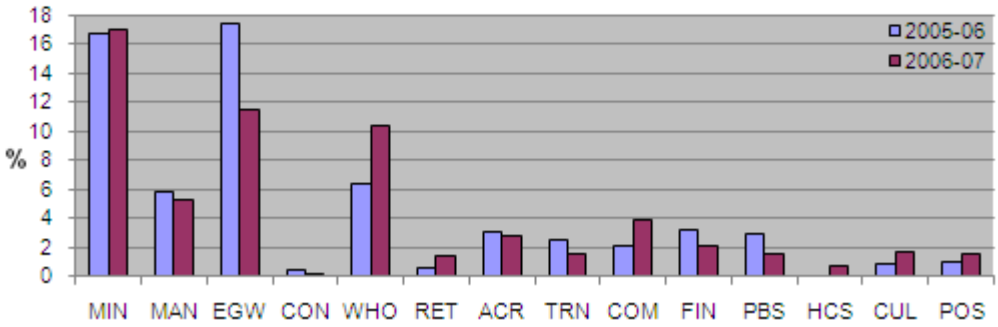
Figure 2. Business age distribution under the current ownership, by industry, 2005-06 to 2006-07



Foreign Ownership

Figure 3 shows the percentages of businesses having any degree of foreign ownership (i.e. >1% foreign owned) by industry for 2005-06 and 2006-07. The degree of foreign ownership was greatest in the Mining, and Electricity, gas and water industries. Significant increases in percentages between the two periods were recorded for the Wholesale trade and Communication sectors.

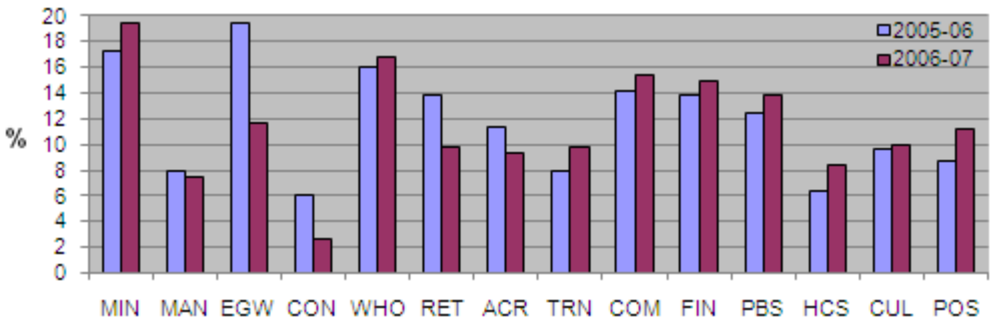
Figure 3. Distribution of any degree of foreign ownership, by industry, 2005-06 to 2006-07



Collaboration

Figure 4 shows the percentage of businesses engaged in cooperative arrangements by industry over the two periods. It is clear that businesses in Mining, Electricity, gas and water, and Wholesale trade are more likely to take part in cooperative arrangements. These are the industries that showed a high percentage of foreign ownership. Most industries had increasing proportions of cooperative arrangements from 2005-06 to 2006-07. The exceptions were Manufacturing, Retail trade, Accommodation, café and restaurant, Electricity, gas and water, and Construction.

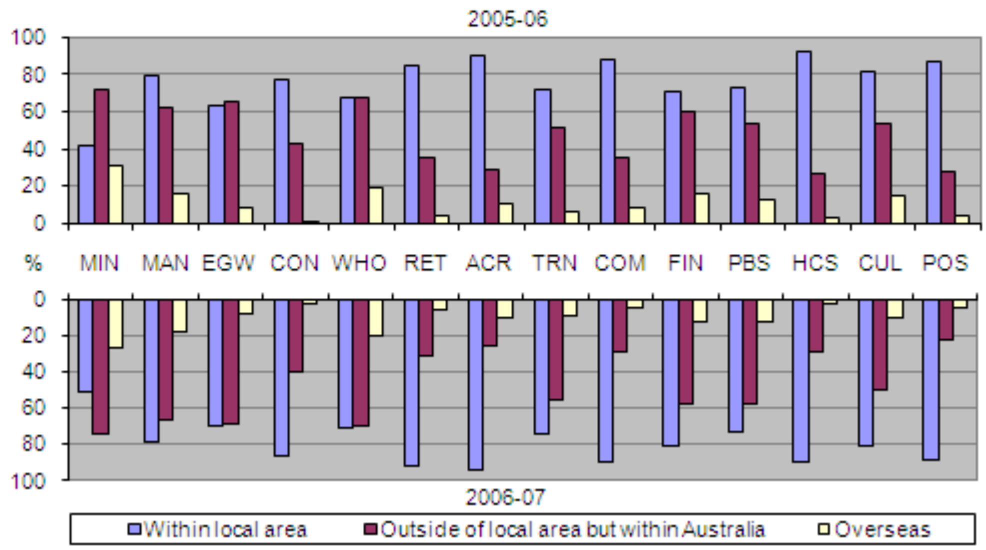
Figure 4. Distribution of involvement in cooperative arrangements, by industry, 2005-06 to 2006-07



Location of Product Markets

Businesses can sell in local, national and global markets. Figure 5 shows the distribution of geographic markets for each industry for 2005-06 and 2006-07. Most industries concentrate on the local market. Understandably the Mining industry is more global market orientated.

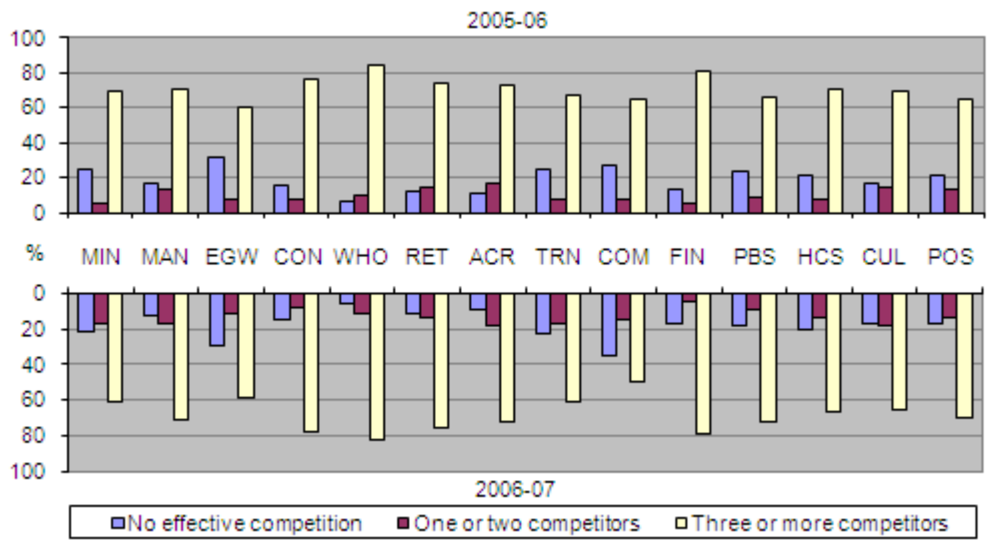
Figure 5. Distribution of geographic markets, by industry, 2005-06 to 2006-07



Competition

Figure 6 shows the distribution of reported number of business competitors by industry from 2005-06 to 2006-07. All industries had three or more competitors. The number of businesses in the Mining industry which have one or two competitors approximately tripled between 2005-06 and 2006-07. The number of businesses which have three or more competitors or felt no competition both decreased. Around 15% of the businesses in Communication services reported the number of their competitors declined from 2005-06 to 2006-07.

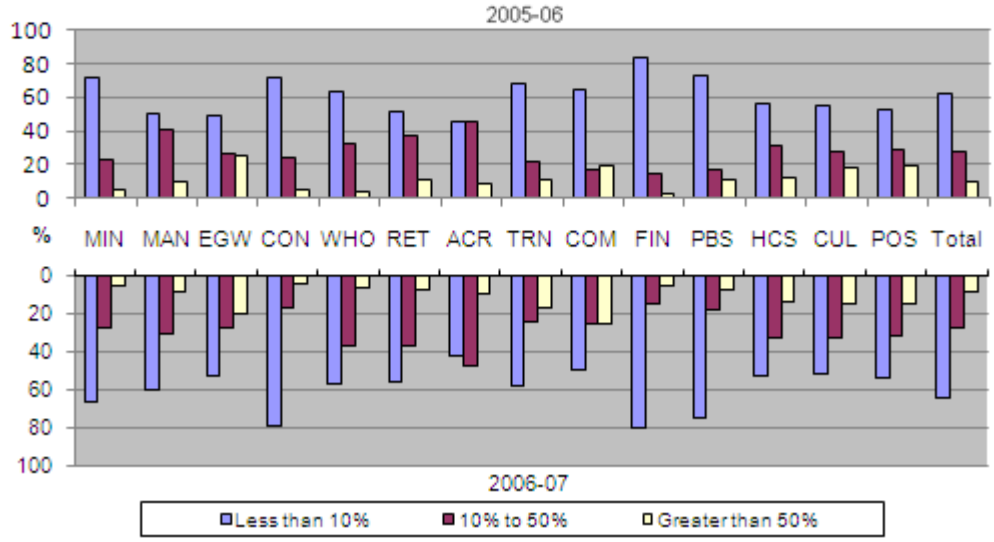
Figure 6. Degree of business competition, by industry, 2005-06 to 2006-07



Business Market Share

Figure 7 shows that from 2005-06 to 2006-07, 10.9% of Manufacturing businesses and 7.8% of Construction businesses reported that their market shares had fallen from greater than 10% to less than 10%. In the same periods, 14.8% of Communication businesses reported that their market share had risen from less than 10% to greater than 10%. This is consistent with the decreasing number of competitors in the Communication industry from 2005-06 to 2006-07.

Figure 7. Business market share distribution, by industry, 2005-06 to 2006-07



Innovation

Innovation activity can be classified into four different types: goods and services, operational process, managerial or organisational process, and marketing process innovations. Figure 8 shows the proportion of industries implementing any goods and services innovation. Wholesale trade businesses showed most goods and services innovation while Mining and Construction industries recorded the lowest percentage. Implementing new or significantly improved goods or services showed the biggest increase in the EGW and Manufacturing industries from 2005-06 to 2006-07 (9.7 and 7.7 percentage points, respectively).

Figure 8. Proportion of businesses implementing any goods and services innovation, by industry, 2005-06 to 2006-07

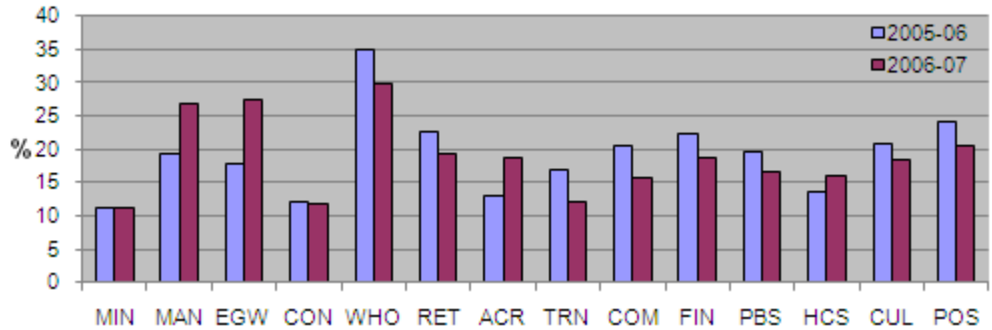
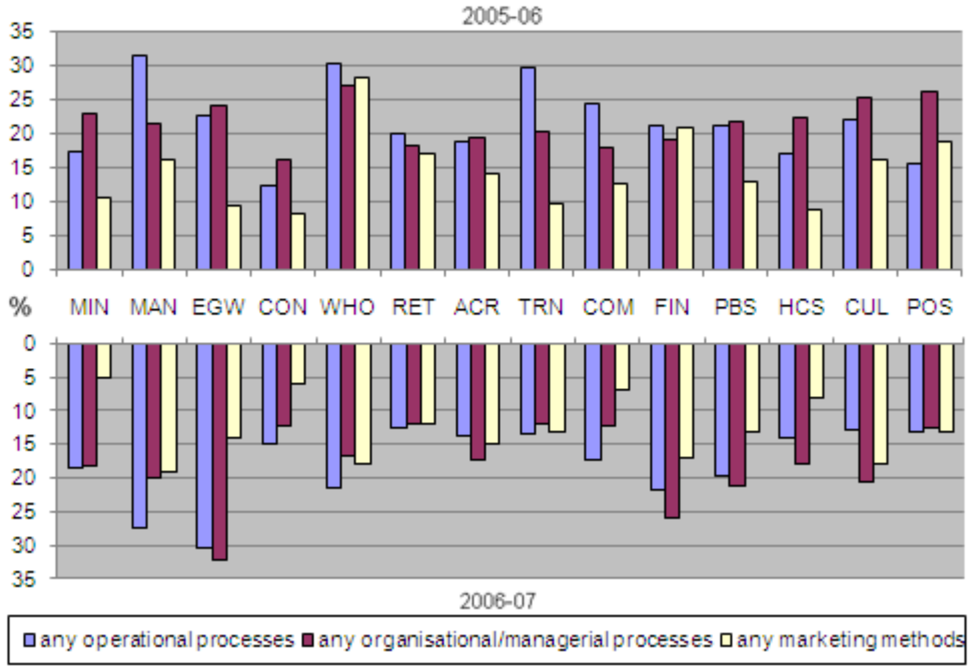


Figure 9 shows the distribution of the proportion of businesses implementing other types of innovation. Most industries exhibited different patterns between 2005-06 and 2006-07. The proportion of businesses implementing organisational or managerial process increased in EGW (8.2%) and Finance and insurance (6.6%) while they decreased in Wholesale trade (10.5%) and Personal and other services (13.5%). Again, EGW recorded the highest percentage increase in both the proportion of businesses implementing new or significantly new operational and implementing new marketing methods.

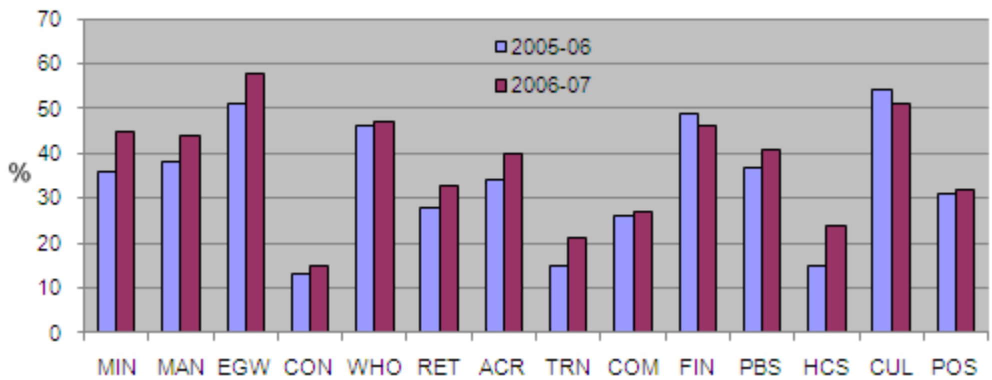
Figure 9. Proportion of businesses implementing other types of innovation, by industry, 2005-06 to 2006-07



Web presence

Figure 10 shows the percentage of businesses that have a web presence. Between 2005-06 and 2006-07 the largest increases were recorded for Mining, Health and community services, and EGW industries.

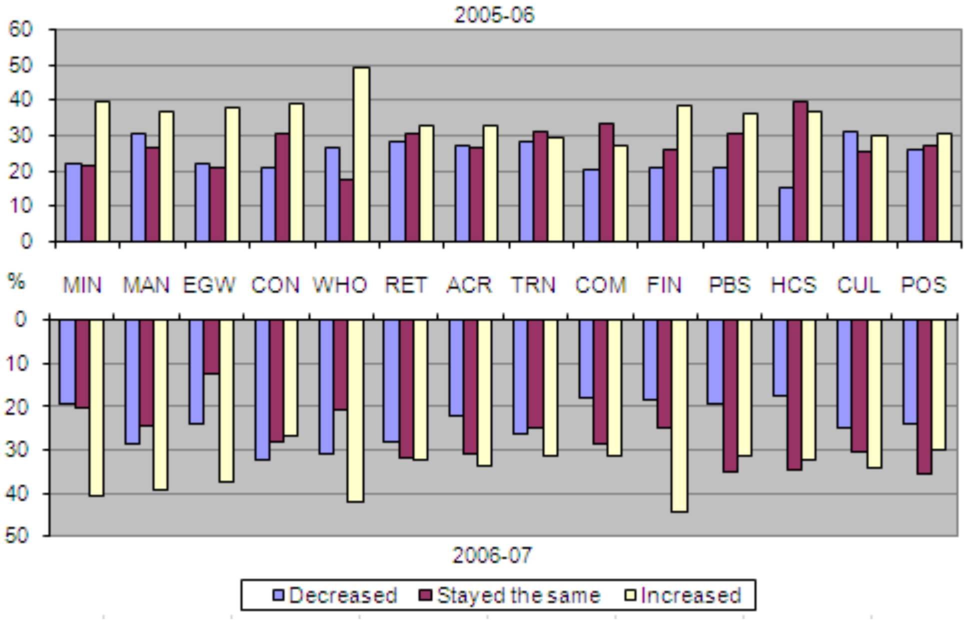
Figure 10. Proportion of businesses that have web presence, by industry, 2005-06 to 2006-07



Profitability

Figure 11 shows the proportion of businesses whose profitability increased, decreased or stayed the same compared to the previous year. The majority of businesses reported that their profitability was improving, except for Health and community services in which profitability remained the same for the majority of businesses. The industries with the highest proportions of increasing profitability were Wholesale trade, and Finance and insurance services.

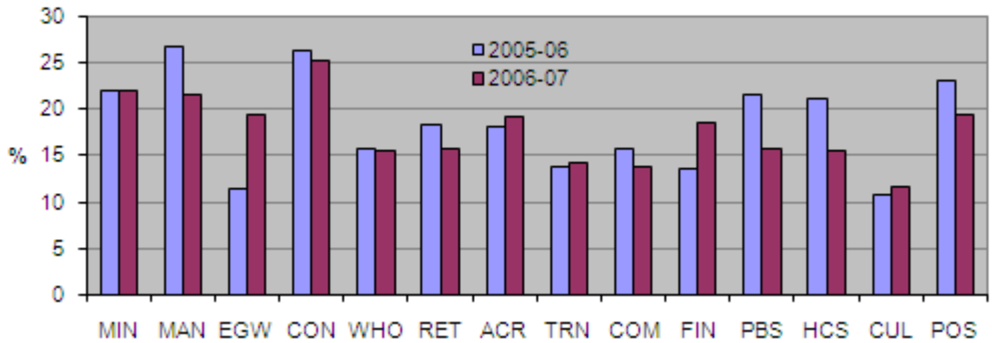
Figure 11. Changes in profitability as perceived by businesses, by industry, 2005-06 to 2006-07



Shortage of Skilled Labour

Figure 12 shows the proportions of businesses experiencing skill shortages. Construction recorded the highest proportion of businesses reporting the lack of skills within the labour market affecting their activities, both in 2005-06 and 2006-07. This corresponds to other studies which have found continuous growth in the Construction industry has led to skill shortages especially in Western Australia, and Construction trades have experienced the largest number of skilled vacancies over the period 2001-02 to 2004-05.

Figure 12. Lack of skilled staff within the business or within the labour market, by industry, 2005-06 to 2006-07



Conclusions

Business characteristics such as business age, foreign ownership, collaborative arrangements, web presence, innovation status, business competition, market share, location of product markets, changes in profitability and shortage of skilled labour, vary significantly between different industries, but patterns within industries were relatively stable between the two periods.

This study provides insights on the changes in distribution of selected business characteristics over time, and by using the future BCS results more complete portraits of the differences in business characteristics in different industries can be compiled.

Further information

The data used in the analysis are sourced from the Business Characteristics Survey (BCS) outputs - **Selected Characteristics of Australian Business, 2005-06 and 2006-07** (cat. no. 8167.0)

Data on the use of IT and innovation can be found in the following publications:

Business Use of Information Technology, 2005-06 and 2006-07 (cat. no. 8129.0)

Summary of IT Use and Innovation in Australian Business, 2005-06 and 2006-07 (cat. no. 8166.0)

Please note that all estimated percentages in this article are based on the 1993 Australian New Zealand Standard Industrial Classification (ANZSIC93).

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